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## Consultation EU Summer Package - innspill til OED

KS Bedrift ønsker å gi innspill til Olje- og energidepartementet om EUs sommerpakke på markeddesign. Vi har svart på de spørsmålene som er mest interessante for våre medlemmer. Svarene er på engelsk, siden vi også vil sende de samme svarene gjennom våre europeiske kanaler.

**1) Would prices which reflect actual scarcity (in terms of time and location) be an important ingredient to the future market design? Would this also include the need for prices to reflect scarcity of available transmission capacity?**

KS Bedrift sees it as important that wholesale prices are market based. Good balancing market ensures prices that reflect scarcity, supply and demand. This gives clear investment signals to the location of production capacity and grid investments

There should be clear rules ensuring that actors responds to market signals without taking advantage of the situation by putting pressure on resources, resulting in unnecessary high prices.

Also: See question 14/15

**2) Which challenges and opportunities could arise from prices which reflect actual scarcity? How can the challenges be addressed? Could these prices make capacity mechanisms redundant?**

Prices that reflect scarcity is vital to promote transparency, consumer flexibility and create good investment signals. However, some customers need a long term insurance in stable prices, and this type of hedging should be allowed.

Also: See question 14/15

**5) Are long-term contracts between generators and consumers required to provide investment certainty for new generation capacity? What barriers, if any, prevent such long-term hedging products from emerging? Is there any role for the public sector in enabling markets for long term contracts?**

Larger energy exchanges would provide more liquidity in the market, making more long term contracts viable. The Commission should continue to push for transparency and coupling of energy exchanges.

**6) To what extent do you think that the divergence of taxes and charges levied on electricity in different Member States creates distortions in terms of directing investments efficiently or hamper the free flow of energy?**

KS Bedrift favours efforts to harmonise taxes related to cross border energy production. The result of different tax incentives could be that projects are located sub-optimally in a cross border scheme.

It is clearly a challenge that taxes levied constitute a major part of the electricity bill in many countries. Also, there is a tendency for governments to collect taxes through the DSO. This creates high electricity bills, and hostility towards the energy company.

Often, the taxes are difficult to explain and there are many of them. It would be in the interest of energy companies and the customers to harmonise the number, types and amount of taxes levied in different countries. It would also make it easier for the customer to understand the electricity bill and respond to market signals.

**7) What needs to be done to allow investment in renewables to be increasingly driven by market signals?**

Ideally higher carbon prices would be the best solution to encourage more investment in renewable energy. This is why KS Bedrift supports the Commission in pursuing policy measures to increase carbon prices. It is of major importance to quickly reform the Emission Trading Scheme (ETS) and to introduce a market stability reserve as early as possible. The ETS has to regain its original role as cost-efficient and effective instrument of European climate policies that drive investments into high-efficient and low-carbon plants and utilities.

In this context, KS Bedrift welcomes and supports the recent European initiatives aiming to fix the system such as the “backloading” and the creation of the Market Stability Reserve. KS Bedrift wants to start the needed structural reform as soon as possible in order to obtain a well-functioning allowances market in the long run.

As carbon prices have remained low over time, other measures are also needed to boost renewable energy production. However, these measures must be cautious and gradually phased out as technologies mature. KS Bedrift supports regional auctioning of renewable sources to make sure that the best technologies are competing in regions where it is most needed. Other support schemes, such as non-premium feed-in tariffs, that are not subject to market considerations must be phased out.

**8) Which obstacles, if any, would you see to fully integrating renewable energy generators into the market, including into the balancing and intraday markets, as well as regarding dispatch based on the merit order?**

There are challenges both to system adequacy and regarding investments into the energy sector. As smart grids have still not been adequately developed to handle unpredictable production of wind and solar, there are spikes and dips in energy production. This makes planning unpredictable for grid operators. Experiences from other countries indicate that too good subsidies distort the market.

The merit order of dispatch makes grid planning even more complicated, and is hampering grid efficiency. Other subsidies should suffice for producers of renewable energy. For grid operators, dealing with different professional production units without merit order is preferable, to ensure supply security.

KS Bedrift is worried that new investments into the energy sector is hampered by very fluctuating and unpredictable energy prices. This creates too much risk for investors. The importance of investments into energy capacity is highly important for balancing the power system. A solution with regional auctioning, assessing necessity of different sources of energy, as well as the phase out of non-market based subsidies will help balance future challenges.

**9) Should there be a more coordinated approach across Member States for renewables support schemes? What are the main barriers to regional support schemes and how could these barriers be removed (e.g. through legislation)?**

KS Bedrift encourages harmonized approaches, in situations where cooperation is needed. As some areas already have challenges with renewable energy sources, it is highly important to locate new production where it is needed. Regional auctioning is a solution that could ensure that the best projects are realized. Cross border participation in regional auctioning could create good market based projects.

Harmonization of investment rules in cooperating countries is necessary to create equal opportunities in the different countries. The Norwegian-Swedish electricity certificate scheme is an example of a fairly successful regional system. The largest problems have been related to differences in the tax system and grid connectivity. Most investments have come in Sweden, while they are being paid equally by customers in both countries. This creates political tension. It is important to have as equal legislation as possible in participating countries in cross border regional schemes.

**10) Where do you see the main obstacles that should be tackled to kick-start demand- response (e.g. insufficient flexible prices, (regulatory) barriers for aggregators / customers, lack of access to smart home technologies, no obligation to offer the possibility for end customers to participate in the balancing market through a demand response scheme, etc.)?**

KS Bedrift regards regulated end user prices as an obstacle to demand response. In general, the customer must see the actual price of the energy to be able to respond to market signals. Thus a competitive and transparent market on wholesale and end user prices will ensure new products to appear. Smart meters will make this development easier.

**14) What should be the future role and governance rules for distribution system operators? How should access to metering data be adapted (data handling and ensuring data privacy etc.) in light of market and technological developments? Are additional provisions on management of and access by the relevant parties (end-customers, distribution system operators, transmission system operators, suppliers, third party service providers and regulators) to the metering data required?**

Instead of rethinking today's unbundling models for DSO's, which would cause yet another costly and inefficient restructuring of business undertakings, more emphasis should be placed on clear common national market rules in data exchange processes, data formats and data content and market time frames. These rules should be mandatory for all market participants.

A fully-integrated internal energy market should be at the heart of the Energy Union project. In this context, KS Bedrift very much welcomes that important attention is given to the full implementation of the Third Energy Package. This should be the first priority as existing legislation should be implemented before bringing new legislative proposals on the table. Currently, the degree of application of existing energy legislation still varies significantly between Member States.

The end user market must be open for competition, and the DSOs should be the main contact point for the customers on technical issues such as connection procedures. DSOs should be able to benefit from synergies within its company staff to ensure efficiency of its operation. This includes using staff for different purposes, such as grid operations, broadband, road lighting, water etc.

DSOs should be considered as neutral market facilitators. Still, this should not make it impossible for companies with less than 100.000 customers to use synergies internally. Our general notion is that a company should be allowed to do what the owners want them to, regardless of whether they are vertically integrated or in an unbundled company. Rules on separation of accounts will ensure that monopoly tasks are kept separate from commercial activity.

Furthermore, it is important to ensure that DSOs have control over grid and relevant meter data. They will be made available to suppliers and third parties in a non-discriminatory way through the DSO, a data hub or directly from the meter in real time, if necessary. DSOs need data to ensure the continuity and safety of the grid operation.

**15) Shall there be a European approach to distribution tariffs? If yes, what aspects should be covered; for example tariff structure and/or, tariff components (fixed, capacity vs. energy, timely or locational differentiation) and treatment of self-generation?**

KS Bedrift generally favours guidelines over strict European rules for distribution tariffs. The nature of electricity supply varies greatly across the continent. In addition

to a great variety in wholesale prices, sources and nature of the supply there is a huge difference in the pressure on the grid. In some countries there is a need for grid investment to cope with higher decentralised and variable production. Other countries have a higher capacity pressure on the grid.

KS Bedrift would suggest for the Commission to issue guidelines that would make distribution tariffs flexible for the needs of different power systems, while at the same time making it easy to understand for the customer. KS Bedrift agree that the use of capacity tariffs could replace or supplement energy tariffs in countries where capacity has a real influence on the dimensioning of the grid system. This could make it possible to avoid or postpone some investments to increase capacity, and thus reduce cost for customers. We support time of use contracts, which could be used in countries that have introduced smart meters, because the use of capacity could be easily measured and tariffed. We do not support capacity tariff mechanisms based on subscribed capacity or based on the size of fuses. One of the reasons is that new tariff structures can be difficult to explain to the customer, creating extra hostility from the customers towards the energy provider.

The pricing of energy in grid tariffs gives limited signals to energy efficiency, especially given the fact that the supplier is using wholesale prices as the basis for billing. For the DSO it is much more predictable and effective to use a fixed, regulated sum, plus pricing of capacity. Still, a variety of options should be available in different countries.

Regarding self-generation, it could be desirable for customers to be given incentives to actively participate in electricity generation. In countries where such incentives are needed, it could be argued that there should be no or limited production tariffs for self-generation below a given threshold. This would provide incentives for smaller households to use e.g. solar panels. In more evolved markets for self-generation such measures might be difficult for DSOs to handle. In any case, subsidies to such installations must be market based, and scrutinized.

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